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Jacqueline R. Mancini

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NOTES

NOTHING IS INEVITABLE: A REJECTION OF THE INEVITABLE DISCLOSURE DOCTRINE UNDER THE DEFEND TRADE SECRETS ACT

JACQUELINE R. MANCINI[†]

INTRODUCTION

Until June 2013, Manish Desai worked for Molon Motor and Coil Corporation (“Molon”) as Head of Quality Control.¹ In June of that year, Desai left Molon to take a position with a competitor of Molon, Nidec Motor Corporation (“Nidec”).² Molon brought suit against Nidec for trade secret misappropriation and alleged that Desai copied confidential information onto a flash drive before his departure.³ Based on these allegations, Molon argued not only that Desai unlawfully disclosed its trade secrets but also that “Nidec used and continues to use that information.”⁴ Molon brought suit under the federal Defend Trade Secrets Act and the Illinois Trade Secrets Act.⁵ The District Court for the Northern District of Illinois allowed Molon’s claims against Nidec to proceed based on the “inevitable disclosure doctrine.”⁶ Molon’s complaint made no allegations that Nidec, rather than Desai, misappropriated

[†] Associate Managing Editor, *St. John’s Law Review*, J.D., 2020, St. John’s University School of Law, B.A., 2016, St. John’s University. I would like to thank Professor Anita Krishnakumar for her invaluable expertise and guidance. I am also grateful to my family and friends for their love and support while completing my Note and throughout my law school career.

¹ *Molon Motor & Coil Corp. v. Nidec Motor Corp.*, No. 16 C 03545, 2017 WL 1954531, at *1 (N.D. Ill. May 11, 2017).

² *Id.* at *2.

³ *Id.*

⁴ *Id.*

⁵ *Id.* at *1.

⁶ *Id.* at *7.

Molon's trade secrets.⁷ Nonetheless, the court concluded that the competition between the parties and the "similarity" of Desai's employment at Nidec were "enough to trigger the circumstantial inference that the trade secrets inevitably would be disclosed by Desai to Nidec."⁸

The court's analysis in *Molon* is only one example of the application of the inevitable disclosure doctrine. The inevitable disclosure doctrine permits a "plaintiff [to] prove a claim of trade secret misappropriation by demonstrating that [a] defendant's new employment will inevitably lead him to rely on the plaintiff's trade secrets."⁹ The doctrine is often used when an employee stops working for the owner of a trade secret and begins working for a competitor.¹⁰ However, application of the doctrine could inhibit employee mobility and free trade.¹¹ Because an employer could be held liable merely based on the decision to hire an employee, employees are discouraged from taking on a superior position with a competing employer.¹² This theory of liability also increases the risks involved when a former employee, who may have had access to trade secrets, starts a new company with innovative ideas.¹³ For these reasons, the inevitable disclosure doctrine remains controversial, and not all courts have adopted it.¹⁴

In 2016, the Defend Trade Secrets Act ("DTSA") created a federal civil cause of action for trade secret misappropriation.¹⁵ In the few years since the DTSA's passage, the fate of the inevitable disclosure doctrine remains unclear.¹⁶ Under the DTSA, one

⁷ *Id.* at *5 ("Molon 'provides no specific allegations that would plausibly show that Mr. Desai disclosed the alleged trade secrets to [Nidec] or that [Nidec] otherwise obtained and used any information'").

⁸ *Id.* at *7.

⁹ *PepsiCo, Inc. v. Redmond*, 54 F.3d 1262, 1269 (7th Cir. 1995).

¹⁰ *See Molon Motor & Coil Corp.*, 2017 WL 1954531, at *7.

¹¹ *See* Eleanore R. Godfrey, *Inevitable Disclosure of Trade Secrets: Employee Mobility v. Employer's Rights*, 3 J. HIGH TECH. L. 161, 178 (2004).

¹² *See id.*

¹³ *See* Susan Street Whaley, Comment, *The Inevitable Disaster of Inevitable Disclosure*, 67 U. CIN. L. REV. 809, 844 (1999).

¹⁴ *See* Godfrey, *supra* note 11, at 173. Only eight states clearly apply the doctrine, six states apply a limited version, and the remainder either reject the doctrine outright or lack explicit caselaw on the subject. *See* Brandy L. Treadway, Comment, *An Overview of Individual States' Application of Inevitable Disclosure: Concrete Doctrine or Equitable Tool?*, 55 SMU L. REV. 621, 626-48 (2002) (providing an overview of different states' approaches to the doctrine).

¹⁵ *See* 18 U.S.C. § 1836(b)(1) (2018).

¹⁶ Brittany S. Bruns, Note, *Criticism of the Defend Trade Secrets Act of 2016: Failure to Preempt*, 32 BERKELEY TECH. L.J. 469, 488 (2017) ("[W]hether the in-

form of relief available is an injunction to prevent the disclosure or use of the trade secret at issue.¹⁷ The statute indicates that such injunctions may not place restrictions on employee mobility.¹⁸ This limitation, which prevents the injunctive relief provision from impacting employment, appears to disfavor the inevitable disclosure theory of liability. However, as the *Molon* case demonstrates, the doctrine could still be used to prove the alleged misappropriation of a trade secret.¹⁹ This ambiguity has led some district courts to decline to apply the doctrine, some to choose to apply the doctrine, and others to fail to reach the merits of the issue.²⁰

This Note argues that moving forward, federal courts should reject the inevitable disclosure doctrine in cases arising under the DTSA. Apart from the potential adverse effects on employment, application of the inevitable disclosure doctrine and the rationales behind it are inconsistent with both the text of the DTSA and its legislative history. This Note examines how the text of the statute and its legislative history support this interpretation.

Part I of this Note discusses the history of the inevitable disclosure doctrine and the passage of the DTSA. Before discussing the DTSA and the changes it made to trade secret law, it is necessary to explain the origins and purpose of the inevitable disclosure doctrine. The doctrine was developed by state courts as an equitable remedy in instances where there was no direct evidence that any disclosure of a trade secret had taken place.²¹ The DTSA, on the other hand, is designed to fill a gap in federal law by creating a federal civil cause of action for trade secret misappropriation.²² Thus, the DTSA ensured that the owners of

evitable disclosure doctrine may be used to prove misappropriation is an open question.”).

¹⁷ 18 U.S.C. § 1836(b)(3)(A).

¹⁸ *Id.*

¹⁹ See *Molon Motor & Coil Corp. v. Nidec Motor Corp.*, No. 16-C-03545, 2017 WL 1954531, at *7 (N.D. Ill. May 11, 2017).

²⁰ See, e.g., *UCAR Tech. (USA) Inc. v. Li*, No. 17-CV-01704, 2017 WL 6405620, at *3 (N.D. Cal. Dec. 15, 2017) (rejecting the doctrine); *Oakwood Labs., LLC v. Thanoo*, No. 17-CV-05090, 2017 WL 5762393, at *4 (D.N.J. Nov. 28, 2017) (failing to reach the inevitable disclosure question); *Mickey’s Linen v. Fischer*, No. 17 C 2154, 2017 WL 3970593, at *13 (N.D. Ill. Sept. 8, 2017) (applying the doctrine and granting an injunction against defendant).

²¹ *B. F. Goodrich Co. v. Wohlgemuth*, 192 N.E.2d 99, 105 (Ohio Ct. App. 1963) (“Equitable intervention is sanctioned when it appears, as it does in the instant case, that there exists a present real threat of disclosure, even without actual disclosure.”).

²² 162 CONG. REC. H2032 (daily ed. Apr. 27, 2016) (statement of Rep. Conyers).

trade secrets would no longer be confined to state law remedies.²³ Part I also explores how this federal statute intersects with the inevitable disclosure doctrine.

Part II of this Note analyzes the DTSA, using traditional tools of statutory interpretation. First, it argues that the text of the DTSA does not support the application of the inevitable disclosure doctrine to cases brought under the federal statute. Second, Part II argues that the legislative history of the DTSA conflicts with an application of the inevitable disclosure doctrine under the DTSA. In the debate and reports on the DTSA, members of Congress indicated that they understood trade secret misappropriation to refer to deliberate theft of trade secrets, not the eventual disclosure of information contemplated by the inevitable disclosure doctrine.²⁴ Finally, Part II argues that while the DTSA does not preempt the inevitable disclosure doctrine, application of the doctrine is inconsistent with both the text and legislative history of the Act.

Part III of this Note argues that concerns over employment and employment mobility strongly discourage the application of the inevitable disclosure doctrine under the DTSA. The potential impact of the application of the doctrine is particularly striking considering that Congress sought to create a uniform federal cause of action.²⁵ The use of the inevitable disclosure doctrine could lead to inconsistent, fragmented effects on employment in different regions of the country.

I. BACKGROUND

A. *The Inevitable Disclosure Doctrine*

Trade secret theft is a crime under state and federal law.²⁶ Additionally, under both state trade secret laws and the DTSA, the owner of a trade secret may bring a civil cause of action against a person who misappropriates its trade secrets.²⁷ In addition to seeking damages, the owner of a trade secret may also seek injunctive relief to maintain the secrecy of the information

²³ See Martin J. Salvucci, Note, *A Federalist Account of the Law of Trade Secrecy*, 29 STAN. L. & POL'Y REV. 183, 191 (2018).

²⁴ See 162 CONG. REC. S1634 (daily ed. Apr. 4, 2016) (statement of Sen. Hatch).

²⁵ See S. REP. NO. 114-220, at 14–15 (2016).

²⁶ See, e.g., TEX. PENAL CODE ANN. § 31.05 (West 2019); see also 18 U.S.C. § 1832 (2018).

²⁷ See, e.g., ALA. CODE § 8-27-4 (2019); see also 18 U.S.C. § 1836.

and prevent the defendant's continued use of the information.²⁸ Where direct evidence of misappropriation is lacking, some states apply the inevitable disclosure doctrine to authorize relief in a given case.²⁹

Specifically, the inevitable disclosure doctrine allows a plaintiff to "prove a claim of trade secret misappropriation by demonstrating that [the] defendant's new employment will inevitably lead him to rely on the plaintiff's trade secrets."³⁰ The doctrine is typically applied in instances where a plaintiff cannot produce direct evidence of misappropriation.³¹ New York courts were the first to articulate the doctrine, arguing that one could rely on the circumstantial inference that the plaintiff's former employee would eventually disclose the plaintiff's trade secrets by virtue of the new employment relationship.³² In other early cases, state courts found that leaving a company to work for a competitor was a breach of the employer's confidence and trust, and determined that such behavior should be enjoined.³³ The doctrine was used to give the owner of a trade secret recourse even when evidence of direct misappropriation was unavailable.³⁴

In 1995, the Seventh Circuit considered *PepsiCo, Inc. v. Redmond*, a seminal case that confirmed that the inevitable disclosure doctrine could be a "legitimate basis" for injunctive relief to prevent the disclosure of a trade secret.³⁵ The plaintiff, PepsiCo, had asserted that the defendant, Redmond, could not help but rely on PepsiCo's trade secrets in the course of his new employment.³⁶ Although the court conceded that PepsiCo had "not brought a traditional trade secret case," the court found that

²⁸ UNIF. TRADE SECRETS ACT § 2 (UNIF. LAW COMM'N 1985).

²⁹ JAMES POOLEY, TRADE SECRETS § 7.02(2)(b)(ii) (2013) ("Nevertheless, circumstances may be such that the likelihood of disclosure or misuse by a competitor appears overwhelming to the court.").

³⁰ *PepsiCo, Inc. v. Redmond*, 54 F.3d 1262, 1269 (7th Cir. 1995).

³¹ William Lynch Schaller et al., *Trade Secret "Triggers": What Facts Warrant Litigation?*, 19 SEDONA CONF. J. 625, 636 (2018).

³² *Eastman Kodak Co. v. Powers Film Prods., Inc.*, 189 A.D. 556, 561 (4th Dep't 1919) ("The mere rendition of the service along the lines of his training would almost necessarily impart such knowledge to some degree.").

³³ *B. F. Goodrich Co. v. Wohlgemuth*, 192 N.E.2d 99, 105 (Ohio Ct. App. 1963).

³⁴ See *id.* The first court to describe disclosure as occurring "inevitably" in this context was the Delaware Court of Chancery. See *E.I. duPont de Nemours & Co. v. Am. Potash & Chem. Corp.*, 200 A.2d 428, 435 (Del. Ch. 1964) ("Plaintiff says that on this record an issue is created as to whether disclosure will *inevitably* or probably follow from Hirsch's employment by Potash" (emphasis added)).

³⁵ Godfrey, *supra* note 11, at 170.

³⁶ *PepsiCo, Inc. v. Redmond*, 54 F.3d 1262, 1269 (7th Cir. 1995).

disclosure of PepsiCo's information was inevitable "unless Redmond possessed an uncanny ability to compartmentalize information."³⁷ Despite the fact that there were no allegations of trade secret theft, the Court granted an injunction because Redmond's inevitable use of confidential information would harm PepsiCo's interests.³⁸ The court compared PepsiCo to "a coach, one of whose players has left, playbook in hand, to join the opposing team before the big game."³⁹ Following *PepsiCo*, use of the doctrine increased in many jurisdictions, in part due to the growth of information technology and the ease with which such information could be stolen.⁴⁰

However, not all states recognize the inevitable disclosure doctrine as a lawful remedy within trade secret law.⁴¹ While the Uniform Trade Secrets Act permits an injunction of either "[a]ctual or threatened" misappropriation of protected material,⁴² not all courts have interpreted the word "threatened" to authorize an injunction under an inevitable disclosure theory.⁴³ Due to its potential impacts on employee mobility, the doctrine has remained controversial⁴⁴ and has been adopted in a minority of jurisdictions.⁴⁵ Proponents of the doctrine argue that disclosure or use of confidential information and trade secrets is unavoidable if a former employee begins working for a competitor in the same industry.⁴⁶

Although there is no universal definition of the elements of the inevitable disclosure doctrine,⁴⁷ most courts require that: (1) "trade secrets exists," (2) "the employee had access to them," and (3) the secrets will "inevitably be used."⁴⁸ In applying *PepsiCo*, courts have articulated a variety of factors to determine when

³⁷ *Id.* at 1269–70.

³⁸ *See id.* at 1270.

³⁹ *Id.*

⁴⁰ Godfrey, *supra* note 11, at 173.

⁴¹ *See id.*

⁴² UNIF. TRADE SECRETS ACT § 2 (UNIF. LAW COMM'N 1985).

⁴³ Gregory Porter & Joseph Beauchamp, *The Inevitable Disclosure Doctrine and Its Effect on Employee Mobility*, HOUS. LAW., Nov.–Dec. 2006, at 36, 38.

⁴⁴ *See* Godfrey, *supra* note 11, at 173.

⁴⁵ Only eight states have explicitly adopted the inevitable disclosure doctrine. *See* Treadway, *supra* note 14, at 626–32.

⁴⁶ *See* Godfrey, *supra* note 11, at 166.

⁴⁷ *Id.* at 174.

⁴⁸ *See* Porter & Beauchamp, *supra* note 43, at 37.

disclosure of a trade secret is “inevitable.”⁴⁹ These factors involve “the level of competition between the [plaintiff] and the new employer,” the similarity between the employee’s former position and their new position, and whether the circumstances indicate the new employee will not safeguard the plaintiff’s trade secrets.⁵⁰

B. State Trade Secret Law Since the Passage of the DTSA

1. The Lack of Uniformity in State Trade Secret Law

The law governing trade secrets originated in state common law.⁵¹ Each state developed its own law of trade secrecy, leading to an inherent “lack of uniformity” that “became increasingly problematic” when interstate commerce increased in the early twentieth century.⁵² In 1939, section 757 of the First Restatement of Torts consolidated the common law of trade secrets across the various states.⁵³ In 1979, the Uniform Law Commission sponsored the creation of the Uniform Trade Secret Act, which follows the approach of the First Restatement.⁵⁴ “Within ten years of the UTSA’s publication,” over thirty states adopted the model statute in its entirety or in a modified form.⁵⁵ As of 2013, when Texas adopted the UTSA, only three states remain that have not adopted the statute: New York, North Carolina, and Massachusetts.⁵⁶

Under the UTSA, misappropriation of a trade secret involves the “acquisition, unauthorized disclosure, or unauthorized use of a trade secret” that was acquired through “improper means, either by a defendant or by a person from whom the defendant derived knowledge of a trade secret.”⁵⁷ The UTSA defines “[i]mproper

⁴⁹ See, e.g., *Nucor Corp. v. Bell*, No. 06-CV-02972, 2008 WL 9894350, at *18 (D.S.C. Mar. 14, 2008) (identifying six factors for the conclusion that disclosure is inevitable); *RKI, Inc. v. Grimes*, 177 F. Supp. 2d 859, 876 (N.D. Ill. 2001) (identifying three factors).

⁵⁰ *Nucor Corp.*, 2008 WL 9894350, at *18; *RKI, Inc.*, 177 F. Supp. 2d at 876.

⁵¹ Robert Denicola, *The Restatements, the Uniform Act and the Status of American Trade Secret Law*, in *THE LAW AND THEORY OF TRADE SECRECY: A HANDBOOK OF CONTEMPORARY RESEARCH* 18, 18 (Rochelle C. Dreyfuss & Katherine J. Strandburg eds., 2011).

⁵² See *id.* at 19.

⁵³ Richard F. Dole, Jr., *The Uniform Trade Secrets Act—Trends and Prospects*, 33 *HAMLIN L. REV.* 409, 410 & n.4 (2010).

⁵⁴ See Salvucci, *supra* note 23, at 186–87.

⁵⁵ *Id.* at 187.

⁵⁶ *Id.* at 187 & n.34.

⁵⁷ Dole, *supra* note 53, at 425.

means” as “theft, bribery, misrepresentation, breach or inducement of a breach of a duty to maintain secrecy, or espionage through electronic or other means.”⁵⁸ Trade secrets are defined as “information” that “derives independent economic value” from not being generally known and that is subject to “efforts that are reasonable under the circumstances to maintain its secrecy.”⁵⁹

However, despite the adoption of the UTSA, states vary in what is required for a plaintiff to prove a claim of trade secret misappropriation.⁶⁰ Varying by state, the *prima facie* case has between two and six elements.⁶¹ For example, in Ohio, to establish a claim for trade secret misappropriation, a plaintiff must prove that (1) “a trade secret exists,” (2) the “secret was acquired [via] a confidential relationship,” and (3) the trade secret was used without authorization.⁶² By contrast, the elements of the claim in Oregon are “(1) a valuable commercial design, (2) a confidential relationship between the party asserting trade secret protection and the party who disclosed the information[,] and (3) the key features of the design that were the creative product of the party asserting protection.”⁶³ In Wisconsin, the elements differ once again; courts in that state require that (1) the defendant acted improperly, (2) “the information was substantially secret,” (3) “reasonable efforts were made to keep [the information] secret,” and (4) “the defendant knew or should have known that its action was improper.”⁶⁴

2. The DTSA Creates a Federal Cause of Action

The first federal foray into trade secret law was the Economic Espionage Act (“EEA”) of 1996, which criminalized the theft of a trade secret on behalf of a foreign government or for “monetary gain.”⁶⁵ The EEA also prohibited attempted theft of trade secrets and conspiracy to steal trade secrets.⁶⁶ Throughout

⁵⁸ UNIF. TRADE SECRETS ACT § 1(1) (UNIF. LAW COMM’N 1985).

⁵⁹ *Id.* § 1(4).

⁶⁰ See David S. Almeling et al., *A Statistical Analysis of Trade Secret Litigation in State Courts*, 46 GONZ. L. REV. 57, 91 (2010–2011).

⁶¹ *Id.*

⁶² *Penetone Corp. v. Palchem, Inc.*, 627 F. Supp. 997, 1005 (N.D. Ohio 1985).

⁶³ *Lamb-Weston, Inc. v. McCain Foods, Ltd.*, 941 F.2d 970, 972 (9th Cir. 1991).

⁶⁴ *RTE Corp. v. Coatings, Inc.*, 267 N.W.2d 226, 231 (Wis. 1978).

⁶⁵ David S. Levine & Christopher B. Seaman, *The DTSA at One: An Empirical Study of the First Year of Litigation Under the Defend Trade Secrets Act*, 53 WAKE FOREST L. REV. 105, 114 (2018); Salvucci, *supra* note 23, at 188.

⁶⁶ Salvucci, *supra* note 23, at 188.

the 1990s and 2000s, various trade groups lobbied Congress for the creation of a civil cause of action under the EEA due to the lack of uniformity at the state level.⁶⁷ “In February 2013, a White House–sponsored task force” reported that the pace of trade secret theft was “accelerating” around the country.⁶⁸ In 2010, trade secret litigation was “on the rise” at the state level, and a majority of states, the District of Columbia, and the Virgin Islands had “adopted trade secret statutes in the [prior] three decades.”⁶⁹

The DTSA was a bipartisan effort authored by Republican Senator Orrin Hatch and Democratic Senator Chris Coons.⁷⁰ The bill was designed to bring “uniformity to trade secret litigation so creators and owners of trade secrets can more effectively address the growing problem of trade secret theft.”⁷¹ The drafters sought to eliminate the procedural hurdles faced by the owners of trade secrets when navigating the patchwork of state trade secret laws by creating a federal remedy.⁷² Trade secrets become less valuable once they are disclosed or used without authorization; Congress sought to create a speedy remedy for companies to use to protect their trade secrets.⁷³ The bill ultimately passed the Senate eighty-seven votes to zero and passed the House 410 votes to two.⁷⁴ President Obama signed the DTSA into law on May 11, 2016.⁷⁵

The DTSA amended the EEA to establish a federal civil cause of action for trade secret misappropriation.⁷⁶ Previously, 18 U.S.C. § 1836 had only authorized the Attorney General to bring a civil action to obtain injunctive relief where there was a violation of the criminal statute.⁷⁷ To bring a cause of action

⁶⁷ See *id.* at 188–89.

⁶⁸ *Id.* at 190.

⁶⁹ See Almeling et al., *supra* note 60, at 93.

⁷⁰ 162 CONG. REC. S1635 (daily ed. Apr. 4, 2016) (statement of Sen. Grassley).

⁷¹ *Id.*

⁷² 162 CONG. REC. H2032 (daily ed. Apr. 27, 2016) (statement of Rep. Conyers).

⁷³ *Id.*

⁷⁴ Vicki Needham, *President Obama Signs Trade Secrets Bill*, THE HILL (May 11, 2016, 6:06 PM), <https://thehill.com/policy/finance/trade/279608-president-obama-signs-trade-secrets-bill> [<https://perma.cc/5Y54-F7BS>].

⁷⁵ Linda K. Stevens, *President Obama Signs Defend Trade Secrets Act*, ABA: PRACTICE POINTS (May 13, 2016), <https://www.americanbar.org/groups/litigation/committees/intellectual-property/practice/2016/president-obama-signs-defend-trade-secrets-act/> [<https://perma.cc/L7QJ-NKML>].

⁷⁶ S. REP. NO. 114-220, at 3 (2016).

⁷⁷ 18 U.S.C. § 1836(a) (2012), *amended by* 18 U.S.C. § 1836 (2018).

under the DTSA, an owner of a trade secret may bring a civil claim, provided the secret is “related to a product or service used in . . . interstate or foreign commerce.”⁷⁸ A plaintiff may seek a civil seizure order, injunctive relief, or monetary damages.⁷⁹ The introduction of the civil cause of action gave trade secrets the similar level of federal protection as copyrights, patents, and trademarks.⁸⁰

The civil seizure provision of the DTSA permits the owner of a trade secret to make an *ex parte* application to seize property necessary to prevent the disclosure or dissemination of the trade secret at issue in the case.⁸¹ Notably, the statute indicates that the *ex parte* seizure provision should be invoked only in “extraordinary circumstances.”⁸² Congress also placed a limitation on the scope of injunctive relief under the DTSA; the injunctions may not “prevent a person from entering into an employment relationship” or “otherwise conflict with an applicable State law prohibiting restraints on the practice of a lawful profession, trade, or business.”⁸³ When seeking monetary damages, a plaintiff can recover for any “actual loss” stemming from misappropriation or “unjust enrichment.”⁸⁴ A detailed analysis of the DTSA’s provisions follows in Part II.

3. The Fate of the Inevitable Disclosure Doctrine Under the DTSA Thus Far

Since the passage of the DTSA, a number of district courts have directly confronted the application of the inevitable disclosure doctrine in cases brought under the federal statute. District courts have taken a variety of different approaches to arguments made under an inevitable disclosure theory; some have explicitly recognized the doctrine and applied it to cases brought under the DTSA.⁸⁵ Other courts have explicitly rejected the doctrine’s ap-

⁷⁸ 18 U.S.C. § 1836(b)(1) (2018).

⁷⁹ *Id.* § 1836(b)(1)–(3).

⁸⁰ *See Levine & Seaman, supra* note 65, at 107.

⁸¹ 18 U.S.C. § 1836(b)(2).

⁸² *Id.*

⁸³ *Id.* § 1836(b)(3).

⁸⁴ *Id.* § 1836(b)(3)(B).

⁸⁵ *See, e.g., Jazz Pharm., Inc. v. Synchrony Group, LLC*, 343 F. Supp. 3d 434, 445–46 (E.D. Pa. 2018) (construing the DTSA’s “threatened misappropriation” to include inevitable disclosure); *PrimeSource Bldg. Prods., Inc. v. Huttig Bldg. Prods., Inc.*, Nos. 16 CV 11390, 16 CV 11468, 2017 WL 7795125, at *17 (N.D. Ill. Dec. 9, 2017); *Mickey’s Linen v. Fischer*, No. 17 C 2154, 2017 WL 3970593, at *12 (N.D. Ill.

plication to federal trade secret misappropriation claims.⁸⁶ Still others have failed to take a clear stance on the issue.⁸⁷

For example, the Northern District of Illinois applied the doctrine in *Mickey's Linen v. Fischer*.⁸⁸ The plaintiff alleged that the defendant, a former employee, took a new position with the plaintiff's main competitor.⁸⁹ Despite a lack of direct evidence of trade secret theft or misappropriation, the court concluded that there was reason to believe that the defendant would inevitably use the plaintiff's trade secrets and granted the plaintiff's injunction on that basis.⁹⁰

By contrast, the District Court for the Northern District of California explicitly rejected the doctrine in *UCAR Tech. (USA), Inc. v. Li*.⁹¹ The defendants argued that the plaintiff's DTSA claim was based on the inevitable disclosure theory, which courts in California have failed to adopt.⁹² However, the court found that several of the plaintiff's trade secret misappropriation claims fell within the definition of the DTSA and did not need the inevitable disclosure doctrine.⁹³ California had previously rejected the doctrine under its own trade secret statute in *Whyte v. Schlage Lock Co.*⁹⁴

Notably, other states have failed to take a definitive stance on the issue of the doctrine's application. For example, in *Free Country Ltd. v. Drennan*, the District Court for the Southern District of New York noted that a plaintiff could "theoretically

Sept. 8, 2017); *Panera, LLC v. Nettles*, No. 16-CV-1181, 2016 WL 4124114, at *4 (E.D. Mo. Aug. 3, 2016).

⁸⁶ See, e.g., *UCAR Tech. (USA) Inc. v. Li*, No. 17-CV-01704, 2017 WL 6405620, at *3 (N.D. Cal. Dec. 15, 2017).

⁸⁷ See, e.g., *Oakwood Labs., LLC v. Thanoo*, No. 17-CV-05090, 2017 WL 5762393, at *4 (D.N.J. Nov. 28, 2017) (finding that the plaintiff did not allege the trade secrets at issue with sufficient specificity); *Xoran Holdings LLC v. Luick*, No. 16-13703, 2017 WL 4039178, at *6 (E.D. Mich. Sept. 13, 2017) (holding plaintiff made sufficient allegations to support a misappropriation claim independent of an inevitable disclosure theory); *Chubb INA Holdings Inc. v. Chang*, No. 16-2354, 2017 WL 499682, at *9 (D.N.J. Feb. 7, 2017) (holding that plaintiff alleged actual use of a trade secret, rather than inevitable disclosure); *Free Country Ltd. v. Drennan*, 235 F. Supp. 3d 559, 569 (S.D.N.Y. 2016) (noting that a plaintiff could "theoretically lodge an inevitable disclosure claim," but had not done so here).

⁸⁸ 2017 WL 3970593, at *13.

⁸⁹ *Id.* at *12.

⁹⁰ *Id.* at *13.

⁹¹ 2017 WL 6405620, at *3.

⁹² *Id.*

⁹³ *Id.*

⁹⁴ 125 Cal. Rptr. 2d 277, 293 (Cal. Ct. App. 2002) ("[O]ur rejection of the inevitable disclosure doctrine is complete.").

lodge an inevitable disclosure claim based on the information” that the employee had access to.⁹⁵ However, the court concluded that it was not physically possible for the employee to retain the information in a form that would be useful to the plaintiff’s competitor.⁹⁶

II. THE TEXT AND THE HISTORY OF THE DEFEND TRADE SECRETS ACT DO NOT SUPPORT THE APPLICATION OF THE INEVITABLE DISCLOSURE DOCTRINE

This Note argues that both the statutory text and the legislative history of the DTSA are in direct opposition to the views of courts that have opted to apply the inevitable disclosure doctrine under the Act. Some commentators and scholars have argued that the DTSA fails to effectively preempt the inevitable disclosure doctrine.⁹⁷ Such scholars suggest that the DTSA should be amended to explicitly preempt the doctrine.⁹⁸ However, this Note argues that amendment of the DTSA is unnecessary because the text and legislative history of the Act are sufficient to preclude the application of the inevitable disclosure doctrine. Courts applying the doctrine are failing to read the statute as a whole and are disregarding its legislative history in favor of their own states’ views of the inevitable disclosure doctrine. Furthermore, amendment of the DTSA, while perhaps wise, would be impractical given the current climate of gridlock in Congress.⁹⁹

A. *The Text of the DTSA*

A close examination of the statutory language within the DTSA suggests that the inevitable disclosure doctrine should not be applied to prove misappropriation of a trade secret in cases brought under the statute. The language of 18 U.S.C. § 1836, which establishes the civil cause of action, and section 1839,

⁹⁵ 235 F. Supp. 3d. 559, 569 (S.D.N.Y. 2016).

⁹⁶ *See id.*

⁹⁷ *See* Bruns, *supra* note 16, at 488–89; M. Claire Flowers, Note, *Facing the Inevitable: The Inevitable Disclosure Doctrine and the Defend Trade Secrets Act of 2016*, 75 WASH. & LEE L. REV. 2207, 2233 (2018).

⁹⁸ *See* Bruns, *supra* note 16, at 491; Flowers, *supra* note 97, at 2213–14.

⁹⁹ Sheryl Gay Stolberg & Nicholas Fandos, *As Gridlock Deepens in Congress, Only Gloom is Bipartisan*, N.Y. TIMES (Jan. 27, 2018), <https://www.nytimes.com/2018/01/27/us/politics/congress-dysfunction-conspiracies-trump.html> [https://perma.cc/Y33Z-23AF] (arguing that the current political climate “has pushed an already dysfunctional Congress into a near-permanent state of gridlock that threatens to diminish American democracy itself”).

which defines key terms in the statute, conflict with the use of the inevitable disclosure doctrine to establish circumstantial evidence of misappropriation in a number of ways. First, the statute's definition of "misappropriation" requires knowledge that the trade secret was "acquired by improper means," an element that is absent from the inevitable disclosure doctrine analysis.¹⁰⁰ Second, the statute's definition of "improper means" is also inconsistent with an application of the inevitable disclosure doctrine because the doctrine does not require a finding of theft, bribery, or espionage on the part of a former employee.¹⁰¹ Third, the strict requirements of the ex parte seizure provision reflect an intention not to place restraints on employment.¹⁰² Finally, the DTSA's injunction remedy authorized under the statute specifically prohibits injunctions that would prevent a person from taking on certain employment.¹⁰³

1. The Definition of Misappropriation

The DTSA added section 1836 to Title 18 of the United States Code. That section authorizes the "owner of a trade secret that is misappropriated [to] bring a civil action under this subsection if the trade secret is related to a product or service used in, or intended for use in, interstate or foreign commerce."¹⁰⁴ The DTSA defines "misappropriation" as follows:

- (A) acquisition of a trade secret of another by a person who knows or has reason to know that the trade secret was acquired by improper means; or
- (B) disclosure or use of a trade secret of another without express or implied consent by a person who—
 - (i) used improper means to acquire knowledge of the trade secret;
 - (ii) at the time of disclosure or use, knew or had reason to know that the knowledge of the trade secret was—
 - (I) derived from or through a person who had used improper means to acquire the trade secret;
 - (II) acquired under circumstances giving rise to a duty to maintain the secrecy of the trade secret or limit the use of the trade secret; or

¹⁰⁰ See 18 U.S.C. § 1839(5) (2018).

¹⁰¹ See *id.* § 1839(6)(A).

¹⁰² See *id.* § 1836(b)(2).

¹⁰³ See *id.* § 1836(b)(3).

¹⁰⁴ *Id.* § 1836(b)(1).

- (III) derived from or through a person who owed a duty to the person seeking relief to maintain the secrecy of the trade secret or limit the use of the trade secret; or
- (iii) before a material change of the position of the person, knew or had reason to know that—
 - (I) the trade secret was a trade secret; and
 - (II) knowledge of the trade secret had been acquired by accident or mistake.¹⁰⁵

This definition enumerates a number of potential types of trade secret misappropriation that are actionable under the statute.¹⁰⁶ In order to fully demonstrate the inapplicability of the inevitable disclosure doctrine, it is necessary to consider each part of the definition in turn.

Under 18 U.S.C. § 1839(5)(A), misappropriation is defined as “acquisition of a trade secret of another by a person who knows or has reason to know that the trade secret was acquired by improper means.”¹⁰⁷ This definition requires the defendant to have knowledge of how the trade secret was acquired. But the inevitable disclosure doctrine does not require an inquiry into what the defendant actually knows or definitive proof that the defendant acquired the trade secret.¹⁰⁸ Courts have found it sufficient that a plaintiff’s former employee went to work for a “serious competitor” and would be taking on a similar position with his new employer.¹⁰⁹ Moreover, plaintiffs have not been required to prove that defendants or new employers knew, nor should have known, that the former employees had retained any knowledge of the plaintiffs’ trade secrets.¹¹⁰

Under section 1839(5)(B)(i), misappropriation includes “disclosure or use of a trade secret of another without express or implied consent by a person who . . . used improper means to acquire knowledge of the trade secret.”¹¹¹ By its plain terms, this provision requires use of improper means. But under an inevita-

¹⁰⁵ *Id.* § 1839(5).

¹⁰⁶ *See id.*

¹⁰⁷ *Id.* § 1839(5)(A).

¹⁰⁸ Instead, the inquiry is focused on whether the circumstances of an employee’s new employment will inevitably lead him or her to disclose the information. *See PepsiCo, Inc. v. Redmond*, 54 F.3d 1262, 1270 (7th Cir. 1995).

¹⁰⁹ *See Molon Motor & Coil Corp. v. Nidec Motor Corp.*, No. 16-C-03545, 2017 WL 1954531, at *5–6 (N.D. Ill. May 11, 2017).

¹¹⁰ *See id.* at *7.

¹¹¹ 18 U.S.C. § 1839(5)(B)(i).

ble disclosure theory, a defendant-competitor could be held liable merely for the decision to hire a former employer of a competitor for a similar position.¹¹² Even if the defendant used or disclosed trade secret information inadvertently, the decision to hire a new employee is inconsistent with a common sense understanding of the phrase “improper means.” Black’s Law Dictionary has defined “improper conduct” as “behaviour that a reasonable and sensible person would not do.”¹¹³ The American Heritage Dictionary defines “improper” as “[n]ot in keeping with conventional mores; indecorous . . . ,” and it defines “means” as “[a] method, a course of action, or an instrument by which an act can be accomplished or an end achieved.”¹¹⁴ The decision to hire a certain employee is not unreasonable behavior that a “sensible person would not do” nor an “indecorous” course of action. Hiring an employee with expertise valuable to one’s company, even one who worked for a competitor, is relatively commonplace. Furthermore, the statute itself gives the term “improper means” a specific definition.¹¹⁵ The doctrine rests on the assertion that a former employee “cannot help but rely on [a plaintiff’s] trade secrets.”¹¹⁶

The third definition of misappropriation contemplated by section 1839(5)(B) is the “disclosure or use of a trade secret of another without express or implied consent by a person who . . . at the time of disclosure or use, knew or had reason to know that the knowledge of the trade secret was” derived through a person who used improper means to acquire it or had a duty to maintain the secrecy of the information.¹¹⁷ This subsection appears to reject the idea that a defendant-corporation could be held liable absent knowledge of the source of the trade secret. Under the inevitable disclosure doctrine, the plaintiff does not have to allege any knowledge on the part of the defendant-competitor.¹¹⁸ In ad-

¹¹² See *Molon Motor & Coil Corp.*, 2017 WL 1954531 at *6.

¹¹³ *Improper Conduct*, BLACK’S LAW DICTIONARY (2d ed. 1910).

¹¹⁴ *Improper*, AM. HERITAGE DICTIONARY (5th ed. 2011); *Means*, AM. HERITAGE DICTIONARY (5th ed. 2011).

¹¹⁵ See *infra* Section II.A.2; 18 U.S.C. § 1839(6).

¹¹⁶ *PepsiCo, Inc. v. Redmond*, 54 F.3d 1262, 1270 (7th Cir. 1995).

¹¹⁷ 18 U.S.C. § 1839(5)(B).

¹¹⁸ See *Molon Motor & Coil Corp. v. Nidec Motor Corp.*, No. 16-C-03545, 2017 WL 1954531, at *7 (N.D. Ill. May 11, 2017) (“Molon’s allegations on the direct competition between the parties, as well as the . . . similarity of Desai’s quality control work . . . are enough to trigger the circumstantial inference that the trade secrets inevitably would be disclosed . . .”).

dition, the plaintiff need not allege that the defendant actually disclosed or used any trade secret information.

Finally, section 1839(5)(B) provides that misappropriation includes "disclosure or use of a trade secret . . . by a person who . . . knew or had reason to know that . . . the trade secret was a trade secret[,] and . . . knowledge of the trade secret had been acquired by accident or mistake."¹¹⁹ As noted above, the inevitable disclosure doctrine does not require an inquiry into what the defendant-competitor corporation actually knows.¹²⁰ Nor need a plaintiff allege any actual use or disclosure of the trade secret on behalf of the defendant.¹²¹ As a result, the definitions of misappropriation under the DTSA are in direct conflict with the requirements of misappropriation under the inevitable disclosure theory.

2. The Definition of Improper Means

A proper understanding of the DTSA's definition of misappropriation relies heavily on the statute's definition of "improper means." Section 1839(6) indicates that improper means "include[] theft, bribery, misrepresentation, breach or inducement of a breach of a duty to maintain secrecy, or espionage through electronic or other means," and "does not include reverse engineering, independent derivation, or any other lawful means of acquisition."¹²² Under this definition, the inevitable disclosure doctrine does not require improper means. Courts that apply the inevitable disclosure doctrine look at factors including the level of competition between the competitors, the similarity of the former employee's new position to his or her old position, and the trustworthiness of the new employee not to reveal the plaintiff's trade secrets.¹²³ This analysis does not involve a determination that the defendant engaged in any of the "improper means" enumerated by the DTSA. One could argue that the inevitable disclosure theory could rely on the "breach . . . of a duty to maintain secrecy" language of section 1839(6).¹²⁴ However, the inevitable disclosure doctrine does not require a breach of a duty to

¹¹⁹ 18 U.S.C. § 1839(5)(B).

¹²⁰ See *supra* note 108 and accompanying text.

¹²¹ See *PepsiCo, Inc.*, 54 F.3d at 1269–70.

¹²² 18 U.S.C. § 1839(6).

¹²³ See *Nucor Corp. v. Bell*, No. 06-CV-02972, 2008 WL 9894350, at *18 (D.S.C. Mar. 14, 2008).

¹²⁴ 18 U.S.C. § 1839(6).

maintain secrecy because the former employee need not actually disclose the trade secret. A plaintiff need only allege that the conditions of employment make it likely that the employee will disclose the information.¹²⁵

3. The Requirements Under the Ex Parte Seizure Provision

One remedy authorized by the DTSA is an ex parte seizure procedure.¹²⁶ Upon an ex parte application, the court may “issue an order providing for the seizure of property necessary to prevent the propagation or dissemination of the trade secret that is the subject of the action.”¹²⁷ Although this remedy was designed to be used “only in extraordinary circumstances,” the specific requirements for an order to be issued suggest a rejection of the inevitable disclosure doctrine.¹²⁸ For example, to obtain an order for the seizure of property, a plaintiff must show that the defendant actually misappropriated the trade secret.¹²⁹ In other words, the ex parte order cannot be based on the mere possibility of misappropriation. Under the inevitable disclosure doctrine, a court may grant relief based on circumstantial evidence that the former employee will eventually disclose or use the trade secret at his new job.¹³⁰ Under the DTSA, the plaintiff must show that the defendant actually possesses the trade secret in order to obtain an ex parte order.¹³¹ The statute also notes that the seizure should “be conducted in a manner that minimizes any interruption of the business operations of third parties.”¹³² In the context of an inevitable disclosure theory, the business operation of third parties could include the decision of a competitor to hire a former employee of the owner of a trade secret. However, the DTSA requirements suggest that Congress sought to authorize the most severe punishment for a specific type of trade misappropriation—the deliberate theft of trade secrets for use or

¹²⁵ See *Molon Motor & Coil Corp. v. Nidec Motor Corp.*, No. 16-C-03545, 2017 WL 1954531, at *6 (N.D. Ill. May 11, 2017).

¹²⁶ 18 U.S.C. § 1836(b)(2).

¹²⁷ *Id.* § 1836(b)(2)(A)(i).

¹²⁸ *Id.*

¹²⁹ *Id.* § 1836(b)(2)(A)(ii)(IV).

¹³⁰ See *Mickey’s Linen v. Fischer*, No. 17 C 2154, 2017 WL 3970593, at *13 (N.D. Ill. Sept. 8, 2017) (holding that an injunction could be granted based on the inference that defendant would inevitably disclose plaintiff’s trade secrets to his new employer).

¹³¹ 18 U.S.C. § 1836(b)(2)(A)(ii)(V). In contrast, under the inevitable disclosure doctrine, a former employee is not required to actually possess the trade secret.

¹³² *Id.* § 1836(b)(2)(B)(ii).

disclosure by a competitor.¹³³ Although the requirements for an injunction or a claim for damages are more lenient, the strict requirements for an ex parte order suggest that Congress did not intend to restrain legitimate business activity and impact employment.

4. Limitations Within the Injunctive Relief Provision

Apart from monetary damages or an ex parte seizure order, the DTSA authorizes a third remedy—injunctive relief.¹³⁴ The injunction may be granted “to prevent any actual or threatened misappropriation” of a trade secret.¹³⁵ However, section 1836(b)(3) contains two restrictions on the court’s discretion to craft an injunction. The injunction may not “prevent a person from entering into an employment relationship” or “otherwise conflict with an applicable State law prohibiting restraints on the practice of a lawful profession, trade, or business.”¹³⁶ Under section 1836(b)(3)(A)(i)(I), any conditions on employment within an injunction must “be based on evidence of threatened misappropriation and not merely on the information the person knows.”¹³⁷ Although these limitations do not apply to an action to recover damages for trade secret misappropriation, a complete reading of the statute suggests that the DTSA was not meant to adversely impact the ability of employees to take on a similar position with a competitor.

B. *The Legislative History of the DTSA*

In addition, the legislative history and statements of members of Congress regarding the DTSA contradict the use of the inevitable disclosure doctrine in cases brought under the statute in at least three important ways. First, statements from members of Congress relating to their understanding of the concept of trade secret misappropriation suggest that the inevitable disclosure doctrine is inconsistent with their intent. These statements demonstrate that trade secret misappropriation was meant to refer to theft and economic espionage. Second, Congress enacted the DTSA to create a new remedy for the theft of trade secrets and sought to balance the goals of the statute with the

¹³³ See *infra* Section II.B.1.

¹³⁴ 18 U.S.C. § 1836(b)(3)(A).

¹³⁵ *Id.*

¹³⁶ *Id.*

¹³⁷ *Id.* § 1836(b)(3)(A)(i)(I).

rights and needs of third parties.¹³⁸ Third, shortly before the bill's passage, Congress amended the statute to limit the injunctive relief provision to prohibit injunctions that place a limit on employment.¹³⁹ This amendment suggests that Congress sought to protect the rights of employees in enacting the DTSA.

1. Deliberate Theft and Economic Espionage

Congress's understanding of trade secret misappropriation is inconsistent with the application of the inevitable disclosure doctrine to DTSA claims. Generally, the statements of members of Congress during the debate and passage of a statute can be used to reinforce its apparent meaning. The language of the statements by many Congress members during debate on the bill indicates that they intended the DTSA to combat deliberate theft of trade secrets and economic espionage. By contrast, the goal of the inevitable disclosure doctrine is to combat the potential disclosure of trade secret information by former employees to their new employers.¹⁴⁰

Throughout the debate on the statute, lawmakers made statements that indicated the DTSA was designed to prevent and punish deliberate theft of trade secrets and confidential information. In 2015, the Senate Judiciary Committee conducted a hearing entitled "Protecting Trade Secrets: The Impact of Trade Secret Theft on American Competitiveness and Potential Solutions to Remedy This Harm."¹⁴¹ In its later report on the DTSA, the Senate Judiciary Committee cited statistics on the theft of trade secret information in support of the need for the bill.¹⁴² Specifically, the committee noted that "annual losses to the American economy caused by trade secret theft are over \$300 billion" and "trade secret theft has led to the loss of 2.1 million American jobs each year."¹⁴³ The final draft of the bill included section 4, which requires the Attorney General to prepare a report on "the scope and breadth of trade secret theft from United States companies" and "the threat posed by trade secret theft occurring outside of the United States."¹⁴⁴

¹³⁸ See S. REP. NO. 114-220, at 8 (2016).

¹³⁹ See *id.* at 8–9.

¹⁴⁰ See *PepsiCo, Inc. v. Redmond*, 54 F.3d 1262, 1270 (7th Cir. 1995).

¹⁴¹ S. REP. NO. 114-220, at 4.

¹⁴² See *id.* at 1–2.

¹⁴³ *Id.* at 2.

¹⁴⁴ *Id.* at 11.

During floor debate, DTSA co-author Senator Orrin Hatch explained that the bill was meant to address “the need to recover a stolen trade secret.”¹⁴⁵ During the House debate, Representatives Collins, Nadler, Jeffries, and Lee used the phrases “trade secrets theft” and “trade secret theft” when discussing the conduct the DTSA was designed to combat.¹⁴⁶ Representative Collins, a co-sponsor of the bill, stated that the DTSA “allows victims of trade secrets theft to obtain a seizure.”¹⁴⁷ Representative Nadler, another co-sponsor, praised the bill for helping to combat trade secret theft at a time when “it has never been easier to transfer stolen property across the globe with the click of a button” just by using today’s technology.¹⁴⁸

Speaking on the purpose of the bill, Representative Goodlatte explained that the statute was “creating a Federal civil remedy for trade secrets misappropriation that will help American innovators protect their intellectual property from criminal theft by foreign agents and those engaging in economic espionage.”¹⁴⁹ Under the inevitable disclosure doctrine framework, an employee or competing company can be held liable based on its decision to enter a new employment relationship.¹⁵⁰ Employment decisions are far from similar to “criminal theft” or “economic espionage.” Choosing to hire a particular employee does not involve any specific intention to steal information from a competitor. The confidential information the employee may have acquired was also not taken intentionally. Furthermore, the inevitable disclosure doctrine was not developed to combat intentional theft, but rather was developed to combat the eventual disclosure of information by a former employee.¹⁵¹

2. The Balanced Goal of the DTSA

Apart from a desire to combat the deliberate theft of trade secrets, Congress also intended to balance the effort to protect trade secrets with the rights of defendants and legitimate businesses. Much of the debate and discussion of the DTSA on

¹⁴⁵ 162 CONG. REC. S1634 (daily ed. Apr. 4, 2016) (statement of Sen. Hatch).

¹⁴⁶ 162 CONG. REC. H2032–H2034 (daily ed. Apr. 27, 2016).

¹⁴⁷ *Id.* at H2032 (statement of Rep. Collins).

¹⁴⁸ *Id.* at H2033 (statement of Rep. Nadler).

¹⁴⁹ *Id.* at H2030 (statement of Rep. Goodlatte).

¹⁵⁰ *Molon Motor & Coil Corp. v. Nidec Motor Corp.*, No. 16 C 03545, 2017 WL 1954531, at *5 (N.D. Ill. May 11, 2017).

¹⁵¹ *See PepsiCo, Inc. v. Redmond*, 54 F.3d 1262, 1270 (7th Cir. 1995).

the floor of Congress endorses the view that the statute was meant to be a balanced measure that would consider the legitimate business interests involved in trade secrets claims. For example, the Senate Judiciary Committee report indicates that “it is important when seizing information to balance the need to prevent or remedy misappropriation with the need to avoid interrupting the legitimate interests” of defendants or third parties.¹⁵² The committee concluded that the DTSA is “narrowly drawn legislation” and is “designed to avoid disruption of legitimate business”¹⁵³ The House Judiciary Committee report explained that “the legislation is designed to avoid disruption of legitimate businesses” and is “[c]arefully balanced to ensure an effective and efficient remedy for trade secret owners.”¹⁵⁴ During floor debate in the House, Representative Nadler noted that the DTSA “carefully balances the rights of defendants and the needs of American businesses to protect their most valuable assets.”¹⁵⁵

Similarly, while discussing the *ex parte* seizure provision, Senator Hatch stated that “[t]he provision is tailored to prevent abuse—balancing the need to recover a stolen trade secret with the rights of defendants and third parties.”¹⁵⁶ He emphasized that “third parties would not be harmed if an order were granted,” and the drafters “also included damages for wrongful seizure”¹⁵⁷ The House Judiciary Committee report, commenting on the same provision, noted that any seizure ordered under the DTSA should “minimize any interruption to the business operations of third parties” while also “protect[ing] the seized property from disclosure.”¹⁵⁸ The House report also emphasized the balanced nature of the statute and noted that “the legislation is designed to avoid disruption of legitimate businesses.”¹⁵⁹ The desire to balance the mission of the DTSA with the needs of legitimate businesses conflicts with the application and goals of the inevitable disclosure doctrine. The doctrine was designed to combat potential disclosures of information based on the movement of employees.¹⁶⁰ The imposition of liability in such circum-

¹⁵² S. REP. NO. 114-220, at 12 (2016).

¹⁵³ *Id.* at 14.

¹⁵⁴ H.R. REP. NO. 114-529, at 6 (2016).

¹⁵⁵ 162 CONG. REC. H2033 (daily ed. Apr. 27, 2016) (statement of Rep. Nadler).

¹⁵⁶ 162 CONG. REC. S1634 (daily ed. Apr. 4, 2016) (statement of Sen. Hatch).

¹⁵⁷ *Id.*

¹⁵⁸ H.R. REP. NO. 114-529, at 5.

¹⁵⁹ *Id.* at 6.

¹⁶⁰ *See PepsiCo, Inc. v. Redmond*, 54 F.3d 1262, 1270 (7th Cir. 1995).

stances could have an impact on hiring decisions.¹⁶¹ This impact on employment decisions could result in a “disruption of legitimate businesses” that the drafters of the DTSA were trying to avoid.¹⁶²

3. Amendment to Injunctive Relief Provision

Congress enacted the DTSA to combat the increasing problem of trade secret theft around the country.¹⁶³ The injunctive relief provision, as noted above, was intended to provide an additional remedy for trade secret misappropriation. However, certain members of Congress, including Senator Dianne Feinstein of California, expressed “concern that the injunctive relief authorized under the bill could override state-law limitations that safeguard employee mobility.”¹⁶⁴ In response to these concerns, the bill was amended to prohibit injunctions that “prevent a person from entering into an employment relationship.”¹⁶⁵ In its report on the DTSA, the Senate Judiciary Committee noted that the amended version of the injunctive relief provision “reinforces the importance of employment mobility.”¹⁶⁶ Given Congress’s serious concerns regarding trade secret theft, its decision to amend the statute to limit the injunctive provision indicates that members of Congress placed a high value on continued employee mobility. The inevitable disclosure theory is used most often in the context of a former employee choosing to work for a competitor.¹⁶⁷ The importance Congress has placed on employee mobility supports a rejection of this theory of liability—at least in the way some district courts have applied the inevitable disclosure doctrine.

C. Amendment to the DTSA is Unnecessary and Impractical

Given the statutory text outlined above, as well as the DTSA’s legislative history, amendment of the DTSA is both unnecessary and impractical. Some commentators have suggested that amendment of the Act is necessary to expressly preempt the

¹⁶¹ See *infra* Part III.

¹⁶² H.R. REP. NO. 114-529, at 6.

¹⁶³ See S. REP. NO. 114-220, at 3 (2016).

¹⁶⁴ *Id.* at 8.

¹⁶⁵ *Id.*

¹⁶⁶ *Id.* at 9. Similar language can be found in the House Judiciary Committee report on the same provision. H.R. REP. NO. 114-529, at 12 (“These limitations on injunctive relief were included to protect employee mobility . . .”).

¹⁶⁷ See Schaller et al., *supra* note 31, at 636.

inevitable disclosure doctrine.¹⁶⁸ Such authors cite to the federal courts that have applied the doctrine in the period following the passage of the DTSA to support this view.¹⁶⁹ However, such concerns about preemption and amendment are unwarranted for several reasons.

For one, a complete reading of the statute, noting the provisions outlined above, provides ample support for the view that the inevitable disclosure doctrine is inapplicable under the DTSA. The text of the DTSA, through the definitions of misappropriation and improper means, the strict requirements for ex parte seizures, and the amendments to the injunctive relief provision, indicate that the inevitable disclosure doctrine is incompatible with the DTSA.¹⁷⁰ Additionally, courts that apply the doctrine to claims under the DTSA typically fail to consider whether the passage of the DTSA impacts the applicability of the doctrine. When applying the doctrine, such courts instead refer to their own state's law or pre-DTSA case law.¹⁷¹ As a result, these courts are improperly ignoring the text and legislative history of the DTSA. If federal courts employed the tenets of statutory interpretation advocated by this Note, a potential amendment to the statute would become unnecessary.

Furthermore, Congress is unlikely to rise to the task of amending the DTSA in light of the current political climate. As of the 2018 midterm elections, the House is controlled by a Democratic majority, while Republicans hold the Senate and the presidency.¹⁷² Such periods of divided government are often the least productive for Congress.¹⁷³ At the moment, Congress appears unable—or unwilling—to address even the most urgent

¹⁶⁸ See, e.g., Bruns, *supra* note 16, at 470; Flowers, *supra* note 97, at 2213–14.

¹⁶⁹ See, e.g., Flowers, *supra* note 97, at 2240.

¹⁷⁰ See *supra* Section II.A.

¹⁷¹ See, e.g., Mickey's Linen v. Fischer, No. 17 C 2154, 2017 WL 3970593, at *12 (N.D. Ill. Sept. 8, 2017) (“In Illinois, such ‘threatened misappropriation’ may be addressed under the ‘inevitable disclosure’ doctrine . . .”); see also PrimeSource Bldg. Prods., Inc. v. Huttig Bldg. Prods., Inc., Nos. 16 CV 11390, 16 CV 11468, 2017 WL 7795125, at *17 (N.D. Ill. Dec. 9, 2017) (citing the pre-DTSA case, PepsiCo, Inc. v. Redmond, 54 F.3d 1262, 1269–70 (7th Cir. 1995)).

¹⁷² See Shawn Zeller, *Divided Government Will Pose an Obstacle to Lawmaking in 2019*, ROLL CALL (Jan. 3, 2019, 7:03 AM), <https://www.rollcall.com/news/politics/divided-government-will-pose-obstacle-lawmaking-2019> [https://perma.cc/ZPW2-XMGX].

¹⁷³ *Id.* Between 2011 and 2014—when Democrats controlled the presidency and the Senate while Republicans controlled the House—“[f]ewer laws were enacted . . . than at any time in modern history.” *Id.*

issues facing the country today.¹⁷⁴ Scholars have argued that increased polarization, “relative parity” between support for the two major parties, and divided government have all contributed to “gridlock and policy stalemate” in Congress.¹⁷⁵ As a result, even attempting to amend the DTSA would be impractical. Instead, the courts should adopt a reading of the DTSA that encompasses the entire statute and gives proper deference to the legislative history and purpose of the Act.

III. THE POTENTIAL IMPACTS OF THE INEVITABLE DISCLOSURE DOCTRINE ON EMPLOYMENT

The inevitable disclosure doctrine should not be used as a means of proving trade secret misappropriation, because neither the text nor the legislative history of the Defend Trade Secrets Act supports its application. This interpretation of the statute and its history will also alleviate concerns that the DTSA will negatively impact employee mobility and industry innovation. In November 2015, a group of law professors submitted a letter to Congress indicating their opposition to the DTSA.¹⁷⁶ They argued that the language of the injunctive relief provision, although appearing to reject the doctrine, implicitly recognizes the inevitable disclosure doctrine.¹⁷⁷ The professors proceeded to argue that federal recognition of the doctrine could have serious impacts on employment, as well as economic growth and innovation.¹⁷⁸ This argument reflects the concerns of other commentators regarding the employment impacts of the inevitable disclosure doctrine.¹⁷⁹

¹⁷⁴ Sheryl Gay Stolberg, *McConnell Promised to End Senate Gridlock. Instead, Republicans Are Stuck in Neutral*, N.Y. TIMES (Aug. 3, 2019), <https://www.nytimes.com/2019/08/03/us/politics/senate-votes-mcconnell.html> [<https://perma.cc/7BMX-2FXN>] (noting Congress has failed to act on infrastructure, health care, and immigration reform). There were only eighteen roll call votes in the Senate in the first seven months of divided government following the 2018 elections. *Id.*

¹⁷⁵ Edward G. Carmines & Matthew Fowler, *The Temptation of Executive Authority: How Increased Polarization and the Decline in Legislative Capacity Have Contributed to the Expansion of Presidential Power*, 24 IND. J. GLOBAL LEGAL STUD. 369, 369–70 (2017).

¹⁷⁶ Eric Goldman et al., *Professors' Letter in Opposition to the Defend Trade Secrets Act of 2015 (S. 1890, H.R. 3326)* (Nov. 17, 2015), <https://ssrn.com/abstract=2699760> [<https://perma.cc/KM3H-X779>].

¹⁷⁷ *See id.*

¹⁷⁸ *See id.*

¹⁷⁹ *See* Bruns, *supra* note 16, at 496; Godfrey, *supra* note 11, at 178; Levine & Seaman, *supra* note 65, at 118; Elizabeth A. Rowe, *When Trade Secrets Become*

Application of the inevitable disclosure doctrine has the potential to place serious constraints on individual employee mobility. Jurisdictions that reject the doctrine argue that the doctrine “‘creates a de facto covenant not to compete’ and ‘run[s] counter to the strong public policy . . . favoring employee mobility.’”¹⁸⁰ In states that apply the doctrine, the threat of liability under an inevitable disclosure theory can restrict employees’ decisions to leave their current employers for better positions at competing employers.¹⁸¹ The possibility that they could be held liable for trade secret misappropriation—if courts are likely to find that they will inevitably disclose trade secrets based on circumstantial probability—may discourage employees from taking jobs with competitors.¹⁸² The inevitable disclosure doctrine infringes on the fundamental employment law principle of at-will employment and undermines employees’ ability to move from job to job freely.¹⁸³

The inevitable disclosure doctrine can also impact innovation and the legitimate interests of businesses. For example, competing employers may be unwilling to hire a former employee of their competitor if they might be held liable for trade secret misappropriation.¹⁸⁴ Smaller companies that compete with larger companies may be unable to hire experienced employees if they were previously employed by a competitor.¹⁸⁵ As a result, these companies will be limited in their access to the best professionals within a given field. In addition, the threat of liability under an inevitable disclosure theory could stifle the creation of new companies by former employees of owners of trade secrets.¹⁸⁶ Without employee mobility and the creation of new business ventures,

Shackles: Fairness and the Inevitable Disclosure Doctrine, 7 TUL. J. TECH. & INTELL. PROP. 167, 183 (2005).

¹⁸⁰ *Whyte v. Schlage Lock Co.*, 125 Cal. Rptr. 2d 277, 292 (Cal. Ct. App. 2002) (first alteration in original) (quoting *Bayer Corp. v. Roche Molecular Sys., Inc.*, 72 F. Supp. 2d 1111, 1120 (N.D. Cal. 1999)).

¹⁸¹ See *Godfrey*, *supra* note 11, at 178; see also *EarthWeb, Inc. v. Schlack*, 71 F. Supp. 2d 299, 310 (S.D.N.Y. 1999) (The inevitable disclosure doctrine “can be a powerful weapon in the hands of an employer; the risk of litigation alone may have a chilling effect on the employee.”).

¹⁸² See *Bruns*, *supra* note 16, at 496.

¹⁸³ See *Rowe*, *supra* note 179, at 183; see also *Flowers*, *supra* note 97, at 2255–58 (arguing that the inevitable disclosure doctrine acts as a noncompete agreement and seriously threatens employee mobility).

¹⁸⁴ See *Flowers*, *supra* note 97, at 2212 & nn.17–19.

¹⁸⁵ See *Godfrey*, *supra* note 11, at 178.

¹⁸⁶ *Whaley*, *supra* note 13, at 844.

economic growth would stagnate.¹⁸⁷ In this way, the inevitable disclosure doctrine runs counter to the main goal of the DTSA—to prevent the economic loss created by the theft of trade secrets.¹⁸⁸

CONCLUSION

The Defend Trade Secrets Act is a powerful new tool for owners of trade secrets that have had their valuable confidential information stolen or misappropriated. The federal civil remedy provides a streamlined process for the adjudication of these claims. The previous patchwork of state law regimes was challenging to navigate. However, Congress did not intend to allow for use of the inevitable disclosure doctrine under this new scheme. The inevitable disclosure doctrine allows the owner of a trade secret to prove a claim of misappropriation based on the circumstances of a former employee's new employment with a competitor. The doctrine allows for a circumstantial inference of misappropriation absent any evidence that the defendant actually acquired, used, or disclosed the trade secret. This doctrine, although not adopted by all jurisdictions, plays a significant role in trade secret law around the country.

But increased application of the inevitable disclosure doctrine has the potential to limit employment opportunities. Liability under an inevitable disclosure theory risks that an employee could be held liable for the decision to take on a new job with a competitor. Alternatively, an employer could be held liable for the decision to hire a certain employee. This theory of liability conflicts with an employee's fundamental right to take on new employment freely.

Nonetheless, both the text and the legislative history of the DTSA lead to the conclusion that the inevitable disclosure doctrine theory of liability should be rejected by courts interpreting the statute. The definition of misappropriation and improper means, as well as the requirements under both the *ex parte* seizure and injunctive relief provisions, demonstrate that the DTSA is incompatible with the inevitable disclosure doctrine. Furthermore, the legislative history reveals that Congress did not intend to include the inevitable disclosure doctrine under the DTSA. Rather, it intended to protect employee mobility and minimize disruption to the legitimate business of third parties.

¹⁸⁷ *See id.*

¹⁸⁸ *See* S. REP. NO. 114-220, at 2–3 (2016).